



Communication with Those Charged with Governance

Board of Directors
Islesboro Economic Sustainability Corporation
Islesboro, Maine

We have audited the financial statements of the Islesboro Economic Sustainability Corporation (the Corporation) as of and for year ended June 30, 2022 and have issued our report thereon dated May 25, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated August 31, 2022, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Corporation solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

We identified no threats to our independence with respect to this engagement.

Qualitative Aspects of Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Corporation is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimate affecting the financial statements is as follows:

Management's estimates of the depreciation expense and accumulated depreciation are based on estimated remaining useful lives of capital assets, and the selection of depreciation methods allowed under U.S. GAAP. We evaluated the key factors and assumptions used to develop the estimates for depreciation and the ending balance of accumulated depreciation and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion unit.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The Corporation does not have any particularly sensitive financial statement disclosures.

Identified or Suspected Fraud

We have not identified any information that indicates a fraud may have occurred or is suspected to have occurred. Our audit procedures are not designed to detect fraud and, therefore, a fraud may have occurred that has not been identified.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all misstatements identified during the audit and no uncorrected financial statement misstatements remain whose effects in the current and prior periods, as determined by management, would be considered material, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and that were brought to the attention of, and corrected by, management were material, either individually or in the aggregate, to the financial statements as a whole or applicable opinion units.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Corporation's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which were provided to us in a letter that was dated May 25, 2023.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Corporation, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Corporation's auditors.

Restrictions on Use

This information is intended solely for the information and use of the Board of Directors and management, and is not intended to be and should not be used by anyone other than these specified parties.



Berry Talbot Royer
Certified Public Accountants
Falmouth, Maine
May 25, 2023



MANAGEMENT LETTER
For the Year Ended June 30, 2022

Board of Directors
Islesboro Economic Sustainability Corporation
Islesboro, Maine

In planning and performing our audit of the basic financial statements of the Islesboro Economic Sustainability Corporation for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Corporation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that have not been identified. However, as discussed below, we identified certain deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Our comments and recommendations have been discussed with appropriate members of management.

Review of Bank Reconciliation

As reported last year, we recommend that there be a monthly review of the bank reconciliation/statement, preferably by another member of the Board. A board member independent of cash receipt and disbursement activities should review the bank statements and the bank reconciliations for any unusual items and initial the form. This practice would greatly enforce the system of checks and balances necessary for strong cash control.

Cash over Federally Insured Limit

While conducting the audit of cash again this year, we noted the Corporation had deposits in the financial institution in excess of the federally insured limit. This presents a potential for losses to the Corporation in the event of bank or institutional failure. We have discussed this situation with management and we understand that this is due to the speed of the Corporation receiving large deposits of cash receipts. We strongly suggest that management contact the bank to discuss the various arrangements offered by the bank that would assist the Corporation in protecting the deposits and would reduce the potential for loss of monetary amounts in excess of the federally insured level.

Conclusion

Management letters are intended to be critical of accounting processes, or internal control features that do not provide adequate safeguards, or they address areas that could be operationally more efficient. The comments and recommendations will aid the Corporation in attaining its objectives of strengthening internal controls, and maximizing its efficiency by improving the utilization of its resources.

We wish to express our appreciation for the cooperation and courtesies extended to us by the Board during our audit. We want to emphasize that our comments and recommendations are not intended to reflect upon the honesty, integrity, or competence of any individual in Corporation.

We are available to discuss this further at your convenience, and provide any assistance requested.

The purpose of this communication, which is an integral part of our audit, is to describe for management and those charged with governance the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used by any other purpose.

A handwritten signature in black ink that reads "Berry Talbot Royer". The signature is written in a cursive, flowing style.

Berry Talbot Royer
Certified Public Accountants
Falmouth, Maine
May 25, 2023



ISLESBORO ECONOMIC SUSTAINABILITY CORPORATION

(a component unit of the Town of Islesboro)

FINANCIAL REPORT



JUNE 30, 2022

Independently Audited By

Berry · Talbot · Royer
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Islesboro Economic Sustainability Corporation
Islesboro, Maine

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Islesboro Economic Sustainability Corporation, a component unit of the Town of Islesboro, as of and for years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the Islesboro Economic Sustainability Corporation as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Islesboro Economic Sustainability Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Islesboro Economic Sustainability Corporation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Islesboro Economic Sustainability Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Islesboro Economic Sustainability Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.



Berry Talbot Royer
Certified Public Accountants
Falmouth, Maine
May 25, 2023



ISLESBORO ECONOMIC SUSTAINABILITY CORPORATION

(a component unit of the Town of Islesboro)

Management's Discussion and Analysis

June 30, 2022

Statement Overview of Financial Report

The Corporation is a not-for-profit corporation organized under the Maine NonProfit Corporations Act that generates income that is exempt from federal taxation under section 115 of the Internal Revenue Code (IRC). The Corporation's primary activities consist of rendering a variety of services to administer certain economic development programs on behalf of the Town of Islesboro (the Town) relating to the attraction, retention and expansion of commerce and industry in the Town. These services and programs include encouragement of construction, acquisition, rehabilitation, and improvement of commercial and industrial enterprises within the Town, and the provision of financial assistance to qualifying business enterprises as a means of helping to create and retain employment therein.

The Corporation uses a proprietary fund. The Corporation's fund is financed and operated in a manner similar to private businesses.

This Management's Discussion and Analysis (MD&A) serves as an introduction to the audited basic financial statements and notes. The MD&A is the Corporation management's analysis of its financial condition and performance. It is presented to give the reader more insight on the Corporation's finances.

The Corporation's basic financial statements include:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows
- Notes to the Basic Financial Statements

2022 Financial Highlights

The net position for the Corporation is \$1,843,575 which is an increase of \$356,317. The Corporation continues to receive donations.

The Corporation has met their initial fundraising goal and have switched their focus to activities that support their mission.

Comparison of Financial Statements for the Current Year

Condensed Statement of Net Position

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Current Assets	\$ 1,244,561	\$ 875,959	\$ 368,602	42.1%
Non-current Assets	599,014	611,299	(12,285)	-2.0%
Total Assets	<u>1,843,575</u>	<u>1,487,258</u>	<u>356,317</u>	24.0%
Investment in Capital Assets	519,115	554,209	(35,094)	-6.3%
Unrestricted	<u>1,324,460</u>	<u>933,049</u>	<u>391,411</u>	41.9%
Total Net Position	<u>\$ 1,843,575</u>	<u>\$ 1,487,258</u>	<u>\$ 356,317</u>	24.0%

Current Assets

There was a net increase in Cash and Cash Equivalents due to the donations received during the reporting period.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Operating Revenue	\$ 507,459	\$ 298,887	\$ 208,572	69.8%
Operating Expenses	(103,555)	(46,852)	(56,703)	121.0%
Net Operating Income	403,904	252,035	151,869	60.3%
Non-Operating Revenue	(47,587)	930	(48,517)	-5216.9%
Change in Net Position	356,317	252,965	103,352	40.9%
Beginning Net Position	<u>1,487,258</u>	<u>1,234,293</u>	<u>252,965</u>	20.5%
Ending Net Position	<u>\$ 1,843,575</u>	<u>\$ 1,487,258</u>	<u>\$ 356,317</u>	24.0%

Operating Revenue

This item consists mainly of donations received by the Corporation. A small portion of the operating revenue is rental income.

Operating Expenses

The reason for the increase in operating expenses is the repairs and maintenance costs associated with the property that was purchased in the prior year.

Non-Operating Revenue

This item is made up of interest and investment earnings, the loss on the sale of assets, and the change in the fair market value of the investments.

Capital Assets

The Corporation recorded purchases of \$11,363, sold the garage, and recorded depreciation expense of \$8,628. As of June 30, 2022, the capital assets, net amount was \$519,115.

Currently Known Facts and Decisions

The Corporation has met its goal of raising \$2M in working capital and is no longer fundraising. We continue to inform the community of what we do, and if they want to support this mission, they can contribute.

The Corporation continues to offer a small business loan program available to island businesses and anticipate that it will continue to offer these. The Board has authorized small loans for up to 5 years. The Board has not set a limit on the total amount of funds at risk, but evaluates the funds at risk and the status of the loan portfolio at each regular board meeting.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Islesboro Economic Sustainability Corporation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Roger Heinen, Islesboro Economic Sustainability Corporation, P.O. Box 108, Islesboro, ME 04848.

BASIC FINANCIAL STATEMENTS

Islesboro Economic Sustainability Corporation

Statement of Net Position

As of June 30,

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets:		
Cash	\$ 411,605	\$ 359,076
Investments	787,563	498,030
Accrued Interest Receivable	1,847	1,677
Accounts Receivable	12,531	-
Current Portion of Notes Receivable	<u>31,015</u>	<u>17,176</u>
Total Current Assets	1,244,561	875,959
Non-current Assets		
Notes Receivable, less current portion	79,899	57,090
Capital Assets		
Land	120,808	116,513
Buildings	<u>410,185</u>	<u>442,117</u>
	530,993	558,630
Accumulated Depreciation	<u>(11,878)</u>	<u>(4,421)</u>
Net Capital Assets	<u>519,115</u>	<u>554,209</u>
Total Non-current Assets	<u>599,014</u>	<u>611,299</u>
Total Assets	<u>1,843,575</u>	<u>1,487,258</u>
Net Position		
Investment in Capital Assets	519,115	554,209
Unrestricted	<u>1,324,460</u>	<u>933,049</u>
Total Net Position	<u>\$ 1,843,575</u>	<u>\$ 1,487,258</u>

Islesboro Economic Sustainability Corporation
Statement of Revenues, Expenses, and Changes in Net Position
For Years Ended June 30,

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Rental Income	\$ 22,400	\$ 7,550
Donations	485,059	291,337
Total Operating Revenues	<u>507,459</u>	<u>298,887</u>
Operating Expenses		
Insurance	7,865	7,611
Professional Services	6,925	11,045
Office Expense	860	689
Property Taxes	7,138	2,956
Rent & Lease	4,200	-
Repairs and Maintenance	67,233	18,218
Utilities	266	739
Miscellaneous	440	1,173
Depreciation	8,628	4,421
Total Operating Expenses	<u>103,555</u>	<u>46,852</u>
Net Operating Expenses	403,904	252,035
Non-operating Revenue (Expenses)		
Interest Income	7,246	2,922
Loss on Sale of Asset	(37,829)	-
Change in Fair Market Value	(17,004)	(1,992)
Total Non-operating Revenue (Expenses)	<u>(47,587)</u>	<u>930</u>
Change in Net Position	356,317	252,965
Net Position - At Beginning of Year	<u>1,487,258</u>	<u>1,234,293</u>
Net Position - At End of Year	<u>\$ 1,843,575</u>	<u>\$ 1,487,258</u>

Islesboro Economic Sustainability Corporation

Statement of Cash Flows
For Years Ended June 30,

	2022	2021
Cash Flows from Operating Activities		
Cash Received from Contributors and Lessees	\$ 494,928	\$ 298,887
Cash Payments to Suppliers and Contractors	(94,927)	(42,431)
Net Cash Provided by Operating Activities	400,001	256,456
 Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(11,363)	(558,630)
 Cash Flows from Investing Activities		
Purchase of Investments	(300,000)	(500,000)
Additions to Notes Receivable	(55,000)	(84,706)
Repayments of Notes Receivable	18,352	10,439
Amounts Added to Investments	(6,707)	(1,698)
Interest Income Received	7,246	2,922
Net Cash Provided (Used) by Investing Activities	(336,109)	(573,043)
Net Increase (Decrease) in Cash and Cash Equivalents	52,529	(875,217)
Cash and Cash Equivalents - At Beginning of Year	359,076	1,234,293
Cash and Cash Equivalents - At End of Year	\$ 411,605	\$ 359,076
 Supplemental Disclosure of Cash Flows Information		
Cash Components:		
Operating	411,605	359,076
	\$ 411,605	\$ 359,076
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Net Operating Income	\$ 403,904	\$ 252,035
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	8,628	4,421
(Increase) Decrease in Accounts Receivable	(12,531)	-
Net Cash Provided by Operating Activities	\$ 400,001	\$ 256,456

Islesboro Economic Sustainability Corporation

(a component unit of the Town of Islesboro)

Notes to the Basic Financial Statements

Year Ended June 30, 2022

NOTE 1: SUMMARY OF ACCOUNTING POLICIES

This summary of significant accounting policies of the Islesboro Economic Sustainability Corporation, hereinafter called IESC or the Corporation, is presented to assist in understanding the representations of the Corporation's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Business

The Corporation is a not-for-profit corporation organized under the Maine NonProfit Corporations Act that generates income that is exempt from federal taxation under section 115 of the Internal Revenue Code (IRC). The Corporation's primary activities consist of administering certain economic development programs on behalf of the Town of Islesboro (the Town) relating to the attraction, retention and expansion of commerce and industry in the Town. These services and programs include encouragement of construction, acquisition, rehabilitation, and improvement of commercial and industrial enterprises within the Town, and the provision of financial assistance to qualifying business enterprises as a means of helping to create and retain employment therein.

Basis of Accounting

The Corporation follows enterprise fund reporting; accordingly, the accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or the economic asset used. In its accounting and financial reporting, the Corporation follows the pronouncements of the Governmental Accounting Standards Board (GASB).

Basis of Presentation

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Corporation's proprietary funds are the rentals of the Corporation's owned property and donations. Operating expenses include project and program costs and general administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating income and expenses.

Revenue Recognition

The Corporation's property rental revenue is recognized on a straight-line basis over the term of the lease and donations are recognized when received.

Cash and Investments

For purposes of the statement of cash flows, the Corporation includes cash on hand, and deposits in banks, including money market funds.

The Corporation invests its funds in an effort to ensure preservation of capital, remain sufficiently liquid, and attain a reasonable market rate of return.

Islesboro Economic Sustainability Corporation
(a component unit of the Town of Islesboro)
Notes to the Basic Financial Statements
Year Ended June 30, 2022

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (Continued)

Investments

Investments held by IESC are recorded at fair value.

Notes Receivable

IESC has provided loans to Town businesses to advance certain economic development objectives. The loans are repayable over a five (5) year period.

Capital Assets

Capital assets are defined by IESC as assets with an estimated useful life in excess of one year and a minimum cost of \$2,500. Such assets are recorded at cost and depreciated over their estimated useful lives. Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful life is management's estimate of how long the asset is expected to meet service demands.

Capital assets consist of land (not depreciated) and buildings that are depreciated using the straight-line method over the asset's estimated life of 50 years. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

Net Position Classifications

Net position is required to be classified into the following components:

Investment in capital assets - This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted - This component consists of constraints placed on the use of net position which are either externally imposed by debt covenants, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component consists of net position that does not meet the definition of "restricted" or "investment in capital assets".

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: DEPOSITS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the bank's failure, the Corporation will not be able to recover the value of its deposits and investments that are in the possession of an outside party.

Islesboro Economic Sustainability Corporation

(a component unit of the Town of Islesboro)

Notes to the Basic Financial Statements

Year Ended June 30, 2022

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Cash Deposits

The Corporation has a deposit policy for custodial credit risk. Individual bank account or certificates of deposit will not exceed the FDIC insured amount. As of June 30, 2022, the Corporation reported a bank balance of \$414,285. Of the Corporation's bank balances, \$250,000 was covered by FDIC insurance and \$164,285 was exposed to custodial credit risk. The balance exposed to custodial credit risk was uninsured and uncollateralized.

Investments

The Corporation's investment policy authorizes the Corporation to invest in short-term certificates of deposits, obligations of the U.S. Treasury, or investment grade fixed income securities rated A or better by Standard & Poor's or Moody's. As of June 30, 2022, \$237,827 of the Corporation's investment balance of \$787,563 was insured by FDIC and the balance of \$549,736 was exposed to custodial credit risk. The balance exposed to custodial credit risk was placed in securities held by the related trust department, but not in the Corporation's name.

At June 30, 2022, the Corporation had the following investments and maturities:

	<u>Fair Value</u>	<u>Not Applicable</u>	<u><1</u>	<u>1-5</u>
Cash and Cash Equivalents	\$ 253,247	\$ 103,986	\$ 119,250	\$ 30,011
US Agencies	534,316	-	49,937	484,379
	<u>\$ 787,563</u>	<u>\$ 103,986</u>	<u>\$ 169,187</u>	<u>\$ 514,390</u>

Credit Risk

At June 30, 2022, the Corporation's investment in US Agencies was rated by Moody's as follows:

Credit Risk Rating:

US Agencies with Aaa Ratings \$ 534,316

Concentration of Credit Risk

At June 30, 2022, the Corporation has individual investments that exceeded 5% of the Corporation's investments as follows:

	<u>Fair Market Value</u>	<u>Percentage</u>
Certificates of Deposit:		
US Agencies	\$ 510,136	74.63%
Goldman Sachs Bank	37,084	5.42%

Fair Value Measurements – Fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into these levels: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Certificates of deposits, categorized as Level 1, are valued at the unadjusted prices quoted in active principal markets for identical assets. US Agencies securities, categorized as Level 2, are valued based on models using observable inputs.

Islesboro Economic Sustainability Corporation

(a component unit of the Town of Islesboro)

Notes to the Basic Financial Statements

Year Ended June 30, 2022

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Investment Income

Investment income includes unrealized gains and losses on investments as well as interest earned on bank accounts, certificates of deposit, and securities.

NOTE 3: NOTES RECEIVABLE

The Corporation has provided loans to Town businesses to advance certain economic development objectives consistent with their corporate mission. At June 30, 2022, the loan portfolio consisted of 5 loans that bear an interest rate at 0.5% and mature at various dates through May 30, 2027.

Scheduled maturities of principal for these loans are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 31,015	\$ 544	\$ 31,559
2024	27,963	335	28,298
2025	28,101	197	28,298
2026	17,182	73	17,255
2027	6,653	14	6,667
	<u>\$ 110,914</u>	<u>\$ 1,163</u>	<u>\$ 112,077</u>

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 116,513	\$ 4,295	\$ -	\$ 120,808
<i>Capital Assets Being Depreciated</i>				
Buildings	442,117	7,068	(39,000)	410,185
Total Capital Assets Cost	558,630	11,363	(39,000)	530,993
Accumulated depreciation	(4,421)	(8,628)	1,171	(11,878)
Capital Assets, Net	<u>\$ 554,209</u>	<u>\$ 2,735</u>	<u>\$ (37,829)</u>	<u>\$ 519,115</u>

NOTE 5: INCOME TAX STATUS

The Corporation qualifies as a tax-exempt organization under the provisions of the Internal Revenue Code Section 115 and, accordingly, its revenue is not subject to any State or Federal income taxes.

Islesboro Economic Sustainability Corporation

(a component unit of the Town of Islesboro)

Notes to the Basic Financial Statements

Year Ended June 30, 2022

NOTE 6: OTHER DISCLOSURES

Litigation

The Corporation is subject to certain legal proceedings and claims which arise in the ordinary course of conducting its activities. In the opinion of management, the Corporation has defensible positions, and any ultimate liabilities are covered by insurance or will not materially affect the financial position of the Corporation.

Risk Management

The Corporation is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors, and omissions; and natural disaster for which the Corporation carries commercial insurance. Based on the coverage provided by commercial insurance purchased, the Corporation is not aware of material actual or potential claim liabilities, which is to be recorded at June 30, 2022.

NOTE 7: SUBSEQUENT EVENTS

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through May 25, 2023, the date the financial statements were available to be issued.